Japanese growth smashes expectations

AFP, *Tokyo*

Quarterly growth data for Japan smashed expectations on Tuesday as car exports rebounded and tourists flooded back, but economists cautioned that it may not last.

The world's third-largest economy expanded 1.5 percent quarter-on-quarter in the three months to June, preliminary government data showed, the fastest rate since the fourth quarter of 2020.

This was almost double the average economist forecast of 0.8 percent, according to Bloomberg News, and followed revised growth of 0.9 percent in the previous quarter.

On an annualised basis, growth was 6.0 percent, more than double the market expectation of 2.9 percent, and giving Japan three-straight quarters of growth.

"Japan's exports have recovered as the supplies crisis eased for the auto sector while the yen's depreciation provided support," Ryutaro Kono, chief economist at BNP Paribas, wrote in a note issued before the data.

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Hiroyuki Ueno, at SuMi TRUST, also said pent-up demand from the pandemic and an increase in capital investment were boosting the economy.

"The hospitality sector is expected to remain a driver of economic growth due to the increase in inbound tourism, as the pandemic is now in the rearview mirror," Ueno wrote ahead of the release.

"Although the number of inbound visitors to Japan has not yet returned to pre-pandemic levels, the per capita consumption of tourists during their stay in Japan has increased, partly due to the weak yen," he wrote.

The chief economist of the International Monetary Fund said last month that Japan was "one of the few advanced economies that is doing better in 2023 than in 2022."

The Bank of Japan forecasts growth of 1.3 percent in the current fiscal year, which runs until March 31.

Flat prices went up by around 30 per cent to 35 per cent on an average in fiscal year 2022-23, said industry insiders. Mid-sized ones (1,200 square feet to 1,500 square feet) now cost Tk 1.20 crore, whereas earlier they were around Tk 85 lakh. However, prices may vary depending on the location of the property.

PHOTO: PRABIR DAS

Apartment sales down 17pc in FY23

Economic uncertainties and high raw material prices to blame

JAGARAN CHAKMA

Overall sales of flats declined nearly 17 per cent in the last fiscal year of 2022-23 owing to economic uncertainties and a rise in prices of raw materials, according to realtors.

Nearly 10,000 units were sold in the fiscal year whereas around 12,000 in the preceding year, according to the Real Estate and Housing Association of Bangladesh (REHAB).

Flats are usually sold while they are under construction and handed over once complete a couple of years later.

According to the realtors, the prices of raw materials increased abnormally last fiscal year due to a depreciation in the value of the taka, the local currency, against the US dollar.

The price per square feet of rod increased by Tk 130, cement Tk 24.75, sand Tk 28.12, stone chips Tk 78.75, bricks Tk 50, Thai aluminium Tk 40, grille Tk 12, general electrification Tk 30, sanitation Tk 30 and labour charge Tk 60, according to the REHAB's assessment.

This led to construction costs rising on an average by Tk 484 per square feet, it said.

Against this backdrop, flat prices increased by around 30 per cent to 35 per cent on an average, said industry insiders. Prices vary depending on the location of the property.

"Economic uncertainties and price increase of apartments due to a rising trend involving raw material prices reduced the sales of apartment," said Tanvir Ahmed, managing director of Sheltech Group, one of the leading realtors in Bangladesh.

Besides, people have tightened their belts to be ready for economic setbacks induced by any political instability centring the national elections which were due to be held at the end of this year, he said.

This too had an impact on the real estate market, he added.

"Our sales declined by 5 percent last fiscal year and the downtrend in sales will remain until the country attains some sort of economic stability," said Ahmed.

The situation may even take a U-turn after the general election if the country returns to normalcy, he said.

Some flat sales emanate from stock sales but the index has remained stagnant for the past one and a half years, he said.

According to realtors, the prices of raw materials increased abnormally last fiscal year due to a depreciation of the local currency against the US dollar.

Some people are hoping for property prices to skyrocketand declining to provide their lands to real estate developers, particularly those in densely populated areas, he cited.

Interest on borrowing has also increased for home loans. Against this backdrop, the real estate sector is in the back foot and there is no alternative way out, he said.

Demand for property never falls drastically, even if prices increase significantly, said Aysha Siddika, executive director (brand) of bti, one of the country's top developers.

Flats are usually purchased through long-terms plans, so a drop in sales does not affect the industry overnight, she said.

Since property prices are high, companies having the financial strength are attempting to purchase land instead of signing flat sharing deals with landowners to reduce property costs, she said.

If the exiting situation prolongs, small companies which are financially weak will have to close down their businesses, noted Siddika.

Definitely companies will be able to sustain themselves if their business strategies focus on sales promotion, discount etc, she said.

Sharing the price increases per square feet, Kamal Mahmud, first vice-president of REHAB, said last fiscal year's sales were the lowest in the four years preceding the year the pandemic emerged.

He said the price of mid-sized (1,200 square feet to 1,500 square feet) flats had increased to Tk 1.20 crore, whereas earlier they were around Tk 85 lakh.

He said mid-sized flats were in demand the most but the scenario has changed due to the economic uncertainties and price increases of properties.

However, he said, the realtors were not getting approval for new projects due to different conditions being attached to Detail Area Plan (DAP) of Rajdhani Unnayan Kartripakkha (RAJUK).

The DAP contains detailed maps, zoning regulations, and land development guidelines specific to their designated area.

For instance, realtors now do not get approvals for high rise building but there could be cases where smaller ones may not be commercially viable, Mahmud said.

Against this backdrop, the realtors are apprehensive of sustaining their business, he noted. According to him, even big realtors are also not taking up projectsat the rate they had previously.

Shihab Ahmed, head of sales and customer service at Shanta Holdings Ltd, said their flat sales had slightly slowed due to the present circumstances.

READ MORE ON B2

How much worse can China's economic slowdown get?

REUTERS, *Hong Kong*

China's economic activity data for July, including retail sales, industrial output and investment failed to match expectations, fuelling concern over a deeper, longer-lasting slowdown in growth.

Activity data has been missing forecasts since the beginning of the second quarter, with the weakness raising worries that China's economy is coming closer to a crunch point.

It would not be for the first time.

Alarm bells over growth rang during the global financial crisis in 2008-09 and during a capital outflow scare in 2015. China came out of those with a shock boost to infrastructure investment and by encouraging property market speculation, among other measures.

But infrastructure upgrades have created too much debt, and the property bubble has already burst, posing risks to financial stability.

Given China's debt-fuelled investment in infrastructure and property has peaked, and as exports are slowing in line with the global economy, China only has one other source of demand to tinker with: household consumption.

In that sense, this slowdown is different.

Whether China bounces back largely depends on whether it can convince households to spend more and save less, and whether they will do so to such an extent that consumer demand compensates for weaknesses elsewhere in the economy.

People visit a shoe store in a shopping mall in Beijing. PHOTO: AFP/FILE

Unlike consumers in the West, Chinese people were left largely to fend for themselves during the Covid-19 pandemic and the revenge spending spree that some economists expected after China re-opened never took place.

But household consumption, as a percentage of gross domestic product (GDP), was among the lowest in the world even before Covid, with economists identifying it as a key structural imbalance in an economy relying too heavily on debt-fuelled investment.

Economists blame weak domestic demand for subdued investment appetite in the private sector and for China sliding into deflation in July. If it persists, deflation could exacerbate the economic slowdown and deepen debt problems.

The imbalance between consumption and investment is deeper than Japan's before it entered its "lost decade" of stagnation in the 1990s.

The July activity data has prompted some economists to flag risks that China may struggle to meet its growth target of about 5 percent for the year without more fiscal stimulus.

That is still much higher growth than many other major economies will see, but for one that invests roughly 40 percent of its GDP every year - about twice as much as the United States invests - it remains a disappointing result. There is also uncertainty about China's appetite for large fiscal stimulus, given the high levels of municipal debt.

Stress in the property market, which accounts for about a quarter of economic activity, raises further concern about the ability of policymakers to arrest the decline in growth.

Some economists warn that investors will have to get used to much lower growth. A minority of them even raise the prospect of Japan-like stagnation.

Jumbo rate hike leaves Putin in hot water

REUTERS, *London*

In Russia, what Vladimir Putin wants, Vladimir Putin gets. So, it's no surprise that a day after prodding by a Kremlin official, the central bank announced an emergency rate increase of 350 basis points to 12 percent. The move was designed to halt a plunge in the rouble, but the currency hardly moved. That leaves the president with tougher choices ahead.

Before the hike, the rouble had sunk by more than 30 percent against the dollar this year. Tuesday's rate increase did little to reverse the slide - the rouble rose by less than 1 percent against the greenback in morning trading. A weaker currency will add to inflation by increasing the cost of imported goods.

That will heap pressure on Russian households' already fragile finances. But Putin only has bad options to solve the problem. Stricter fiscal or monetary policies would hurt an economy weakened by the war effort and Western sanctions.

The main cause for the rouble's meltdown is the massive shrinkage in the country's current account surplus. After a record high in 2022, it fell 85 percent in the first seven months of the year, to some $25 billion, according to the Russian central bank.

Last year was marked by bumper export revenue due to higher energy prices, while sanctions reduced imports. This year, exports have fallen because of European oil and gas embargoes and lower energy prices while imports are picking up as Russian businesses buy from Asian countries that have not imposed sanctions.

READ MORE ON B2

Why India is trying to tame rising wheat prices

REUTERS, *New Delhi/Mumbai*

Indian officials are considering a raft of measures to boost domestic wheat supplies and cool local prices which surged last week to their highest six months.

Last year, India banned wheat exports after a sharp, sudden rise in temperatures clipped output, even as export demand picked up to meet the global shortfall triggered by the Russia-Ukraine conflict.

The ban on wheat exports failed to stop prices from rising, prompting trade and industry officials to suggest that even this year's crop is lower than the government's estimates of a record 112.74 million metric tons.

After last year's wheat export ban, India in July ordered a halt to its largest rice export category, triggering fears of further inflation on global food markets and reflecting New Delhi's urgency to curb food prices in the world's most populous country.

Prime Minister Narendra Modi's ruling Bharatiya Janata Party (BJP) will face a general election early next year. Some key state assembly elections are due before the 2024 parliamentary election. BJP is keen to retain power in certain state assemblies and wrest control of some big heartland states.

Even a moderate rise in food inflation, which accounts for nearly half of the overall consumer price basket, tends to anger voters and gives easy ammunition to opposition parties to attack the government.

Persistently high inflation helped BJP defeat the Congress party-led coalition in 2014 - the year when Modi first took over as prime minister.

Inflation in India, Asia's third-largest economy, has started to accelerate after showing signs of easing early this year. In July, food prices sharply rose 7.75 percent year-on-year, compared with a fall of 1.24 percent in June. Other than rice and wheat, the government is also trying to tame vegetable and pulse prices.

Labourers fill sacks with wheat grain at a wholesale market in Jandiala village on the outskirts of Amritsar. PHOTO: AFP/FILE

Other than supplying wheat to the poor at highly subsidised prices, the government in April 2020 started providing free wheat to the millions of beneficiaries to stave off food shortages during coronavirus lockdowns.

The free distribution of grain led to a drawdown in the government's food stocks, and lower wheat output in 2022 and 2023 meant slower-than-expected replenishment of inventories at state warehouses.

Wheat stocks at government warehouses were at 28.3 million metric tons on August 1, higher than last year's 26.6 million tons but lower than the 10-year average of 35.3 million tons.

The government has offered 5 million metric tons of wheat to bulk consumers such as flour millers and biscuit makers to calm prices. Higher stocks at state warehouses would have helped the government offer bigger quantities to stabilise prices.

India needs to import 3 to 4 million metric tons of wheat to plug the shortfall, according to various trade estimates.

The government could drop or lower a 40 percent import tax on wheat to help flour millers import the grain. But India's imports could stoke global prices, making overseas purchases expensive or unviable for private traders.